

1 CHAIR JAMES: MR. Anderson?

2 MR. ANDERSON: Thank you, Madam Chair, for the
3 opportunity, and Commissioners.

4 I represent the North American Association of State and
5 Provincial lotteries, in Canada and the United States, and a few
6 territories, and also am here representing Minnesota, as a
7 Minnesota state lottery director.

8 I have been reflecting on the recommendations that
9 NASPO is making, and certainly on the process, and the reviewing
10 of all the testimony that has gone on today. And by way of
11 assurance, I guess, I want to assure you that what you are going
12 through we go through each and every legislative session in every
13 one of our states.

14 In going over the testimony, specially from St.
15 Patrick's day in Boston, one thing that struck me is that how
16 even some of the threads from supposed experts purport to weave
17 something out of whole cloth that quite probably is not.

18 And the version of their reality certainly has to be
19 overcome by facts. I'm very pleased that a great number of the
20 reports that we are hearing beginning today, in fact, are very
21 factual, although I have some disagreement with elements of them.

22 And, finally, we have begun to enter into that course
23 for the Commissioner's job.

24 We have made a series of recommendations which I
25 believe you have, involving general findings. One certainly is
26 that Americans love to gamble. The prevalence rate is fairly
27 uniform across north america, and certainly across the United
28 States, and rises up into the 70 and 80 percent range.

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1 And certainly if we include raffles from churches the
2 rate goes up into the 90s. Gambling is enjoyed in the United
3 States by a vast majority of people. Its existence, throughout
4 history, as we have just heard and, indeed, throughout the
5 history of the world, and continues throughout the entire world.

6 Government policies certainly have to control the
7 mitigation of the problems with gambling, and there are problems
8 associated with gambling. But that certainly should not lead to
9 prohibition, nor to significant restrictions from where it
10 presently exists.

11 Lottery players, we've had some discussion today,
12 frankly do not play with a great expectation of wining. They
13 play with the expectation and the certainty that they have a fair
14 chance of winning, that they might win, and they get their value
15 from that, from the entertainment aspect, the possibility that
16 they in fact might win.

17 They do know that someone will win, largely because it
18 is regulated by state government.

19 Lotteries are, in fact, a reasonable and rational, and
20 very relevant way to raise funds for a state government. There
21 have been a lot of changes over the last couple of decades with
22 regard to federal, state financial arrangements.

23 States, in fact, have a significant need to raise
24 revenues, taxes are still not popular. Voluntary funding
25 mechanisms such as lotteries will always prevail over involuntary
26 taxation methods.

27 Government regulation is a fascinating topic.
28 Lotteries are, in fact, highly regulated at the state level.

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1 There are several thousand elected state officials who regulate
2 lotteries in this country.

3 I can assure you that they are not all pro gambling.
4 In fact, if they are considered our board of directors, as I
5 consider them, close to half are vocally opposed to gambling.
6 And they certainly fulfill their task.

7 And in any event, should they not be, the electorate
8 certainly has the ability to take them out of office. There is
9 keen oversight.

10 Lotteries is an enterprise of government, lotteries are
11 an enigma for the state government. We do operate with retail
12 tools, with all the normal perquisites of business, with the
13 exception that we are so closely monitored that even every ad has
14 been subject to review by legislators, and certainly subject to
15 their favor.

16 Lotteries typically get appropriated by legislators, so
17 there are very tight reins over the functions and abilities of
18 them to do business.

19 In addition the public, our main constituent group,
20 watches us very closely. The media, as you might know from press
21 clippings, is extraordinarily aware of what we do, and critical,
22 as they should be.

23 And players, as distinguished from the public, react
24 very strongly, and frankly vote with their dollars each and every
25 time they play the lottery.

26 Lotteries are voluntary purchases, and they are not
27 taxation. Any reference to them, or inference that they are some
28 type of excise, or income, or other tax, regressive tax, is by
29 definition, wrong.

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1 NASPO, and I'm certain every lottery is very much in
2 favor of the Kyl Bill on internet gaming. There is hope that
3 that will go through with the next session.

4 It is impossible to subject internet gaming to the type
5 of scrutiny and regulation that is exercised by state and local
6 governments on any other form of gambling.

7 Gambling marketing, including advertising, is a very
8 common form. As I wrote to you before, would that it were within
9 my talent to be able to persuade people to act in such a way as
10 they do with regard to lotteries and gambling generally, in order
11 to force them, if you will, to play it is not, it is merely a
12 means of building awareness on other entertainment forms.

13 Lotteries, in fact, advertise far less than other
14 consumer goods, in the nature of two, three, five, and even ten
15 times less.

16 Lotteries also are advertising less as the years go on,
17 as a percentage of revenue, not just because of increased sales,
18 but because of limitations on budget.

19 I know in Minnesota our advertising has dropped about
20 40 percent because of simple increases in media costs.

21 Lotteries, in particular, post and publish odds for the
22 public. No, we do not do it in electronic media, because there
23 certainly isn't time or room, nor do we think anyone can pick up
24 12 different sets of odds in a 30 second television commercial.

25 But we do go through great pains, and to great extent,
26 to post in writing at the point of sale, and certainly the
27 information is available to all who may ask, from headquarters.

28 Lottery revenues, contrary to some earlier testimony,
29 are in fact put back into the economy. The state government is

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1 not an exception to the economic rules, they are not -- revenues
2 are not mysteriously removed.

3 The beneficiaries, we've talked a great deal about.
4 Certainly there are a couple of episodes where revenues allegedly
5 meant for one purpose were diverted by state legislatures. That
6 is not the fault of the lotteries, is their prerogative to do so.

7 A dollar moved from one source to another still is a
8 dollar, still has an impact in the state's taxation base, and the
9 economy.

10 Gambling effect does make up a significant aspect of
11 the service sector. Lotteries employ directly about 7,000
12 people, but certainly indirectly many tens of thousands, if not
13 hundreds of thousands more benefit at retail level, and through
14 vendors and suppliers, from the sale of lottery tickets.

15 Retailers in North America earn over two and a half
16 billion dollars last year in commissions.

17 All forms of gambling have, all states that have
18 gambling are authorized, and certainly have a special
19 responsibility to address compulsive gambling. Those under the
20 age of 18, who may be particularly susceptible because they lack
21 means and reason to work out the aspects of gambling, deserve our
22 particular attention.

23 Education programs are badly needed, lotteries across
24 the country are participating in this, as we speak. There is a
25 small percentage of the public that suffers from compulsive
26 gambling, or impulse control disorder. There is no doubt.

27 I would submit to you that it doesn't necessarily
28 matter how many, it matters that they get treatment, and they get
29 assistance. In Minnesota we are very pleased to actively

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1 participate in that, all funding, all two and a half million
2 dollars this year for treatment programs and research in
3 Minnesota does come from lottery funds designated and mandated by
4 the legislature.

5 Probably the most uniformly agreeable thing between all
6 forms of gambling in the Commission is that HMOs and managed care
7 organizations failed to recognize compulsive gambling as
8 something that needs to be covered under their plans, and that
9 does exacerbate the problems for afflicted persons.

10 This is a matter for federal legislation under ERISA,
11 and it must be addressed.

12 States react, sometimes slowly, to the need for
13 funding. There are, however, to my knowledge very few other
14 current sources. Not all gaming outlets fund equally, and we
15 hope that some of our counterparts will catch up to the level of
16 state supported programs for compulsive gambling.

17 More money needs to be put into research for impulse
18 control disorders. Certainly the definitions have to be adhered
19 to. Gambling does not cause compulsive behavior.

20 We certainly have heard today about a lot of other
21 underlying mental health disorders, and addictions. But that
22 does not excuse, nor is it even intended to. Where gambling ends
23 up in our doorstep, we must take action.

24 Research into the general social and economic effects
25 of gambling is still in its infancy. Much of what has been done,
26 even some of which I saw today, is still methodologically
27 unsound, and should not be relied upon.

28 The quality and quantity of research needs to be vastly
29 improved in order to better guide state policy makers. More work

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1 needs to be done, for example, in treatment procedures for women,
2 youth, the elderly, and certainly people of color.

3 We, I hope, know now that a lower proportion of low
4 income, and frankly of higher income people, play lottery than do
5 middle income Americans. In Minnesota 43 percent of my sales
6 comes from households over 50,000 in income. If we target
7 anyone, that is who we target.

8 Lottery sales outlet locations is a very interesting
9 topic. They are affected, the determination of where lottery
10 store goes is more affected by zoning, population density,
11 presence of workers, commuters and traffic flow, than anything
12 else. Lotteries pick their retailers, generally, but retailers
13 decide where they are going to be located.

14 And, finally, lottery advertising, in fact, is
15 responsible. There have been some exceptions. Certainly the
16 decade old, now, Illinois billboard, which did not say this is
17 your ticket out of here, it was one of several hundred placed
18 across the state, has been drawn up as a prime example.

19 Yes, lotteries have made mistakes in the past, we did
20 not intend to make them, always, we have never intended to make
21 them, but we are doing our best to amend our ways of thinking and
22 approaches to current ways of thinking, and we are very
23 responsive to what our state legislators tell us to do.

24 With that I will stop and entertain questions later or
25 now.

26 CHAIR JAMES: Thank you.

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